Three Strikes—You're Out!

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In the nineteenth century, the Americans invented a new sport—baseball. At one time thought of by us Britons as a sort of "poor man's cricket," baseball eventually became an international sport and, at this point in time, in virtually any country in the world, the exclamation "Three strikes—you're out" means to all and sundry that the individual in question is finished for the time being.

And the phrase is sometimes used in investment circles. One investor can be heard advising another, "Don't buy that stock—they're underfunded, have poor management and an unsustainable business plan. You'd have three strikes against you even before you started."

If the investor receiving the advice is wise, he would, of course, avoid the stock as he would avoid a plague. Although there might be some chance of success, the odds are so thoroughly stacked against him that he's almost certain to lose his money.

But what of an entire country where the investor has three strikes against him before he starts? What if some country were to pass a series of laws that were so draconian that, whilst it may be possible that the investor *might* survive, the odds are stacked so much against him that loss is almost a certainty?

An excellent example of such a country is the home of baseball—the USA. Once regarded worldwide as "the land of opportunity," the US has declined precipitously in recent decades and, as developed countries go, has become one of the world's dodgiest jurisdictions in which to retain wealth.

Strike One: Confiscation of Wealth

In 2010, the US government passed the massive (2,300 pages) Dodd-Frank Act. Ostensibly, Dodd-Frank was intended to end the excessive risk-taking that had led to the 2008 crash. Although Congress could simply have reinstated the Glass-Steagall Act of 1933 (a mere 37 pages, the 1999 repeal of which led to the crash), it passed Dodd-Frank. Many congressmen admitted that they had never even read it before passing it. Unfortunate. Buried in that bill was legislation that allowed the opposite of what the bill was claimed to have been meant to do. It allowed US banks to confiscate account holders' deposits—in other words, it codified the bail-in process.

Although no confiscation has *yet* taken place, a trial balloon for confiscation was sent up in Cyprus in 2013 and the world accepted the concept. The path is now paved for similar confiscation in the US. In essence, this means that any funds that are entrusted to *any* bank in the US are unsafe.

Strike Two: Civil Forfeiture

The stated purpose of the civil forfeiture law is to seize property that may have been connected in some way to a crime. In the 1980s, the US Congress gave the green light to law enforcement agencies to retain the proceeds of their seizures. In addition, the traditional "innocent until proven guilty" principle was thrown out. The onus was now on the accused to prove that his property was *not* connected to a crime. If he could not do so, the authorities could keep the proceeds.

But the enforcement of this law has not been focused on wealthy drug kingpins. Nationwide, it has been focused on the average citizen, who is limited as to his ability for recourse. Typically, he's stopped by police as he's driving down the road. His possessions (particularly cash) are seized on the claim of a minor traffic offense. Another method of seizure is to raid a home or business premises. Often, anything of value is taken, under the

assumption that it “may have been connected to a crime.” And often, the charges are trumped-up and the arguments flimsy.

The accused must then fight in court to regain his property, which happens rarely. Most cases never reach the courtroom. In many that do, the individual finds he cannot afford the legal fees, so he either gives up or settles. Abuses abound and in some jurisdictions, seizure has become a full-time activity, netting hundreds of millions in value, little of which is ever returned, even if no charges are ever filed against the accused.

Strike Three: Removal of Free Speech

In December of 2016, the US Congress passed the Countering Foreign Propaganda and Disinformation Act, following a television campaign warning that “fake news” created by Russia had increased support for presidential candidate Donald Trump, allowing him to defeat Hillary Clinton.

The law provides for the implementation of an Orwellian “Ministry of Truth” to counter “foreign disinformation and manipulation” that ostensibly threatens “security” and “stability.”

No single government agency has been charged with the enforcement of this law, which suggests that any government

agency that objects to published information that disagrees with its own will have the power to take action. It may punish "the extensive and destabilising foreign propaganda and disinformation operations being waged against us."

The upshot of this is that the US government will have the authority to crack down on any group or individual that it decides is disseminating "propaganda," including punishing and/or shutting down any source it deems guilty of disseminating information that does not match its own propaganda.

And so, returning to our investor, he's looking at a country in which he already has three strikes against him. He's almost certain to lose. What will he do? Well, sad to say, human nature dictates that he's most likely to simply put his head in the sand and continue on regardless. If he's already neck-deep in the US investment game, he'll be inclined to continue and hope for the best, much to his eventual regret.

Historically, whenever any country declines to the point that its government has removed the rights of property ownership and freedom of speech, most people do tend to just hang in there and ride the train to the bottom.

Very few choose to vote with their feet and decamp to another jurisdiction where the laws are not so draconian. For whatever reason, that which is so easy to understand in baseball is very hard to understand with regard to investment and residency.

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